August 16, 1961

Investor's Reader

For a better understanding of business news

SPOKESMEN
FOR FAST-ROLLING
GOODYEAR
(see page 20)

WATERWAYS

The latest water craze to besiege lakes and streams is water walking. This svelte sea nymph demonstrates it on a pair of rigid, lightweight urethane foam water shoes weighing less than water skis but capable of supporting a not so nymph-like 350 pounder. Created by Kean Stimm of Water Shoes of Buffalo, the shoes have a core of rigid urethane foam covered by an outer shell of glass fiber. They retail at about $40.

Urethanes are among the most versatile new plastics. Example: the model's swim suit, made not of foam but of an elastomeric fiber called spandex. One of the leading urethane producers is Allied Chemical, which recently announced plans for construction of an additional urethane plant in Southern California. This will bring the company's investment in urethane research and plant facilities to over $28,000,000. Allied vice president Neal Draper sees 1965 US demand for rigid foam "at 110,000,000 pounds and flexible foam at 200,000,000 pounds" up from 22,000,000 and 85,000,000 respectively. He also predicts spandex elastomer by 1965 "will have captured almost half of the latex rubber thread market" or about 10-to-12,000,000 pounds of the material which supplies stretch for girdles, socks and elastic bandages.

But vp Draper cautions: "Competition should be unusually keen. With current expansion plans producers will soon have capacity to meet all foreseeable urethane demands until 1965."

For all its chemicals, Allied's first half sales slipped 6% from a year ago to $379,800,000. Earnings were $53,000,000 or $1.28 a share v $1.55 earned in the first half of 1960. Says Allied chairman Kerby H Fisk: "If there is a continuance of strong business activity into the second half, earnings could approach or even exceed the $1.28 earned in the first half." This would almost equal the $2.57 it earned in 1960.

Accepted as controlled circulation publication at Poughkeepsie, New York. INVESTOR'S READER published fortnightly. This issue dated August 16, 1961.

Investor's Reader

No 4, Vol 37 August 16, 1961

Dividends Step Ahead to a Record

Payments Rise As Corporations Patch Recession Woes

UNPERTURBED by the slow pick-up of business, the volume of corporate cash dividend payments is at an alltime high. The US Department of Commerce reports six-month payments by publicly reporting domestic corporations rose to a total of \$6.7 billion, *v* \$6.6 billion for the like period last year. For all 1951 the total was \$5.5 billion. This year's rise occurred while corporate profits at half year dipped from an annual rate of \$46.3 billion before taxes in 1960 to an estimated \$42 billion rate for this year.

On the Big Board a new cash dividend record has been set for the nineteenth consecutive year. The half year total is \$4.9 billion, up 2%. Of the 1,129 issues listed on the New York Stock Exchange, 943 or 83.5% were dividend payers. Interestingly their disbursements are equivalent to 73% of all US dividend payments which were publicly reported.

The Big Board found certain industries showed definite payout trends. Utility payments—up 6% from last year—made the best showing, accounting for 22% of all dividends. Close behind with increases of 5% or a little under were amusement issues (including movie theatre and record companies), financial issues (banks and insurance companies), publishing and service companies (laundries, vending machines). However there were declines in shipbuilding and ship operating issues (19%), building (7%) and railroads & rail equipment (6%).

For the country as a whole, 418 companies raised their payout during the six month period while 115 decreased it, 157 omitted the dividend and 48 resumed it according to Standard & Poor's figures. This is a ratio of three favorable actions to two unfavorable; however in July the ratio rose to almost 3-to-1. Although last year's 6-to-1 was more

impressive, the payouts then reflected the previous year's high earnings, while recovery from the recent recession is just beginning to show up in dividends.

Stock Split Accompaniment

Many of the increases have occurred along with a stock split. International Silver split 3-for-1, is now paying 27½¢, equivalent to 82½¢ on the old shares *v* a 75¢ earlier payout. Also splitting 3-for-1 was Magnavox, which paid 25¢ on its old stock, is paying 12½¢ on the new, a 50% boost. Texaco followed a 2-for-1 split with a 23% dividend hike to 40¢ and publisher Holt, Rinehart & Winston's 3-for-2 split amounted to a 50% hike when the dividend was maintained at 10¢. A slightly different approach was taken by R J Reynolds which upped the dividend from 65¢ to 70¢ and then proposed a 2-for-1 split.

Some others in the split-and-raise category are Marshall Field, McCall Corp, Lehn & Fink, Fairmont Foods and Procter & Gamble. A special case is Texas Eastern Transmission which split 2-for-1 while raising its payout to 20¢, equivalent to 40¢ on the old shares *v* 35¢. Its dividends are considered return of capital and will be tax-free for the rest of 1961.

Straight increases have also been popular. Prime example is American Telephone & Telegraph. Known for 39 years for the constancy of its $9 annual dividend, the company split its stock 3-for-1 in 1959 at the same time raising its payout 10%. Now for the second time in two years it has upped the figures—this time to 90¢ quarterly from 82½¢.

Other companies to make straight raises were Cleveland Electric Illuminating and Columbus & Southern Ohio Electric, both to 50¢ from 45¢. General Foods' increase of 5¢ to 40¢ followed a 2-for-1 split and 8% raise in rate at the end of last year.

Also paying out straight increases are A&P, Wisconsin Public Service, Gulf Oil, Dow Chemical and many others.

The ever-welcome extra dividend was paid by 301 companies during the first six months. However many corporations keep regular payouts conservative, then declare extras when earnings permit. Or they may omit the extra in bad times while still keeping the regular rate. Both these cases are illustrated by candy-maker Peter Paul which paid extras totaling 50¢ in 1958, omitted them in 1959 and 1960 only to resume them this year, while the regular dividend remained constant throughout.

Sometimes an increased regular rate accompanies payment of the extra. Sunbeam Corp has paid a 25¢ extra for several years but followed the most recent payment with a hike in the regular rate from 35¢ to 42½¢.

In one case a split was thrown in as well. American Home Products, maker of ethical drugs as well as Anacin, Woolite and Chef Boy-Ar-Dee foods, announced plans to vote on a 3-for-1 split in the Fall and to boost the regular by 20% at the same time. In addition it paid a semi-annual 30¢ extra.

Stockholders of course are heartened when the extra is increased as was the case with William Wrigley

Jr which raised last year's 50¢ semi-annual extra to $1 paid at the 1960 year end and again in June. Falconbridge Nickel recently raised its extra from 15¢ to 25¢ and Hiram Walker-Gooderham & Worts (IR, August 2) just upped both the regular and the extra payouts a nickel to 40¢ apiece.

Beth Steel Pays Regular

While increases with or without extras or splits have been more common, Bethlehem Steel made headline news last fortnight by not changing its dividend at all. For the fourth straight quarter earnings were below the 60¢ a share regular payout, but chairman Arthur B Homer cited Bessie's strong cash position and optimistic second half outlook as reasons for retaining the payout.

Other companies have suffered worse than Beth Steel and have found it necessary to cut the dividend. Two such are textilers Burlington (from 30¢ to 20¢) and Lowenstein (from 25¢ to 15¢). Lehigh Portland Cement pleaded the necessity of "conserving cash to maintain the company's working capital position" and cut from 30¢ to 25¢; and Lykes Brothers Steamship shaved a dime from its dividend to make it 15¢. Federal Pacific Electric claimed nonrecurring losses necessitated a decrease from 20¢ to 15¢; American Cement, Pacific Cement & Aggregates, Nunn-Bush Shoe, General Controls and Air Control Products also trimmed their payouts.

Some corporations have been unable to pay any dividend at all. General Dynamics passed its 25¢ quarterly last time around because of the "heavy drain on earnings attendant on the commercial transport program and desire to conserve capital." Similarly Eastern Air Lines eliminated the 25¢ dividend because of the need for cash for jet financing as well as losses from increased competition and February's flight engineer strike.

Other disbursement skippers include diesel-engine-maker Fairbanks Morse, trucker Ryder System, American Export Lines, I-T-E Circuit Breaker, Daitch Crystal Dairies, Stanray Corp, National Tile & Manufacturing, Republic Industrial, mobile home-maker Guerdon Industries, Webcor and Windsor Industries, 57% owner of textiler Bates Manufacturing.

On the brighter side are the companies which have been able to cure their past ills and make a comeback. One is Century-Electric which resumed the 10¢ rate omitted last Summer after being reduced from 12½¢. National Steel Car Corp's new rate of 20¢ picks up where it left off last November. Chemical Enterprises' new rate of 15¢ is up a nickel from the payment omitted since December 1958. Carpet maker Bigelow-Sanford which has made only one payment since 1957 recently took a new lease on life and paid a 15¢ dividend and Lockheed Aircraft just made a 30¢ payment after a year's rest.

Still ahead however are the dividend decisions in the homestretch of the year. If the current business recovery continues, the mostly capital gains-minded investors of the US will be treated to an even higher investment income than the $6.7 billion of the first half.

BUSINESS AT WORK

NATIONAL ECONOMY
The World's Biggest Family

MIGHTY American Telephone & Telegraph Company last fortnight announced its stockholder list —the largest the world has ever seen —had topped the 2,000,000 mark when the names of Wichita, Kan drugstore owner Hugh T Polson and his wife were added. The 1,000,000 total was topped in 1951. Neither figure includes the many holders who leave their AT&T stock in broker, bank or trust company names.

AUTO EQUIPMENT
Dana Dynamics

AROUND the country many auto production plants were silent last week tooling up for next year's models. In others 1962 cars were already beginning to roll as the automobile industry completed its phase-out of 1961 passenger cars this year about 30 days earlier than normal. As always the changeover directly affects not only the automakers but hundreds of their suppliers including $142,000,000-assets Dana Corp, a dean of the auto equipment field.

Dana's fiscal year ends August 31 —in most years before the annual production metamorphosis is completed. However as 56-year-old Dana president John E Martin observed from his desk at Dana's Toledo headquarters recently: "This year almost all the effect of assembly closedown will fall in our fourth quarter, pushing our results for the quarter and for the year below what they otherwise would have been."

Jack Martin's estimate of operating results for fiscal 1961 is sales from $190-to-195,000,000 and earnings in the neighborhood of $9,000,000 or from $1.80-to-1.90 a share. These figures also reflect the company's close tie to Detroit. Like auto production which was lagging two months behind last year's pace when 1961 scheduling was phased out, Dana operations are well under 1960's $230,000,000 in sales, a record, and $3.25 a share earnings. Nine months' sales were $143,000,000 *v* $173,000,000 and earnings $1.31 *v* $2.73 a year ago.

Despite this seemingly discouraging sharp decline and the fact that Dana operations historically have been buffeted about by the automotive economy, Jack Martin is optimistic about current business and the outlook for fiscal 1962. Moreover he offers a vote of confidence in his company's relatively undiversified state in spite of the cyclical uncertainties of his industry.

For one thing he notes about the immediate future: "The early model changeover has a dual effect and will result in an improvement above what we'd normally expect for the first quarter of fiscal 1962." Secondly a gradual upturn in Dana's business began last March and has continued ever since. "This represents a reversal of a trend. After this year's drop-off in cars & trucks all present scheduling information leads us to believe the coming fiscal year will show improvements for both * * * and Dana has made some gains

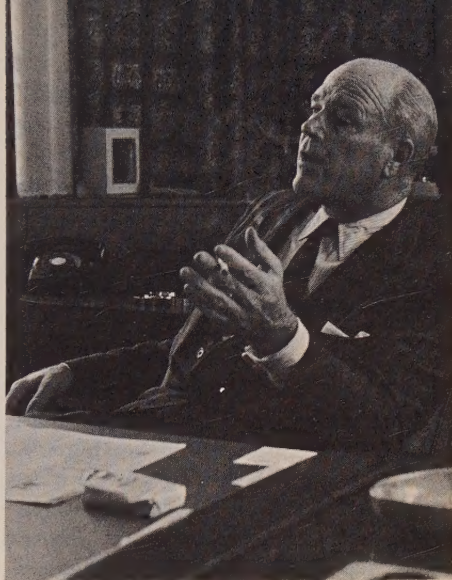
n components for the new models."

Nearly 85% of Dana sales goes to riginal equipment manufacturers vith 40% directed to medium & igh-priced passenger cars. Another 35% is in trucks and the remaining 10% goes into "miscellaneous" offighway vehicles from bulldozers to golf carts plus railroad, aircraft and ndustrial equipment. The final 15% f total volume is auto replacement nd service sales.

Principal auto products include hassis frames, differentials, univeral joints, transmissions, gear boxes, lutches and the like. Jack Martin concedes the adverse effect of anther Detroit trend: "About 15% of ur frame business has been lost to he compacts (which are frameless). However that is beginning to be relaced by two entirely new products vhich are built in our frame plant." These are the railway auto transporer for hauling autos piggyback and he Dana "Hull-Gard," a unique auto railer which carries sail or power oats cushioned on inflated balloon ollers.

Among Dana developments in old ine auto components are: 1) the louble cardan universal joint aleady in use on some 1961 models o permit "lower look" passenger ars; 2) the Power-Lok limited-slip lifferential to counteract spinning vheels on slippery driving surfaces nd 3) the propeller shaft mounted etarder (developed with the Thompon Products division of Thompson Ramo Wooldridge) which slows eavy trucks on steep downgrades vithout regular braking.

Dana's 57-year reputation for continued technical advancements like these is president Martin's principal source of optimism for Dana's future in auto equipment. "We're not just a parts manufacturer but one of the industry's important sources of engineering talent," he says. Also "when volume of a component gets big manufacturers don't want to depend on one source of supply. The record speaks for itself. Since the War the auto companies have spent millions on manufacturing facilities for components and Dana still grows."



Dana president Jack Martin

MANUFACTURING
Controls Company Upturn

GENIAL President Louis Putze of Controls Company of America said recently: "I can tell you honestly that when January 1 arrived this year and our people said 'Happy New Year,' they really meant it—they were just so damn glad that

the year 1960 was behind them."

Statistics show why: 1960 sales dipped to \$46,852,000 from \$51,-480,000 a year earlier, while earnings fell to \$1,527,000 or \$1.21 a share from \$2.06 a share in 1959. Two major reasons: Controls Company makes controls for a number of large appliances such as washing machines, driers, dishwashers and air conditioners, all of which were slow sellers last year; also, the company's US business in heating controls dipped because of lower housing starts. On the Big Board the company's 1,270,000 common shares slumped from an alltime high of 50⅛ to a low of 20⅛ established in 1960. They have since recovered modestly to 31.

Out of the Valley

But Lou Putze says December was the bottom and things have perked up since. First quarter earnings rose 2% over the last quarter of 1960 but still trailed a year earlier. Second quarter results were 38% ahead of the first quarter but again below last year's second quarter.

For the full year, Lou Putze sees results at least equal to or better than 1960. Still he will not set a figure since most of Controls Company's biggest blue chip (and also Big Board) customers have not been predicting their own sales freely enough to give Controls Company an idea of their buying intentions.

The company put through some cost-cutting and consolidating measures in 1960; one of the biggest was the ending of manufacturing activities of its appliance & automotive division plant in Schiller Park, Ill outside Chicago. Executive offices will remain there but the manufacturing is being moved to plants at Fremont, Ohio and North Manchester and Winamac, Ind. The Schiller Park plant is for sale.

Sales of the company's controls are divided 26% home appliances, 25% oil & gas heating equipment, 22% refrigeration, air conditioning and ventilating equipment, 10% aircraft, missiles and defense and 17% miscellaneous. Three of its divisions have been given new titles in the past year. They are the Control Switch, Astromatic and Electron divisions. Controls Company now has four divisions and two subsidiaries, 14 domestic plants and seven in other countries. Adds treasurer Albert E Kornhauser, the company now has a couple of acquisitions under study "in interesting product areas."

Control Switch with plants in Folcroft, Pa, Chicago and El Segundo, Cal, now has its headquarters in El Segundo. About 75% of production goes for control switches in electronic or missile programs. Its switches accompanied Alan Shepard and Virgil Grissom on their epic-making sub-orbital space flights.

The gaudily-named Astromatic division also with headquarters in El Segundo has some colorful products too, namely electroluminescent panels for the Skybolt system in the B-52. The panel lights up without benefit of bulbs, thanks to phosphorescent compounds applied to plastic and sensitive to electric current.

The Electron division is at Tempe, Ariz and does far out research work in semi-conductors. Pride of

the division is Sildisc, a tiny component which automates the operation of diodes, rectifiers and double anodes. Sildisc is waiting for industrial users to catch up to it, claims Lou Putze, who foresees wide use for it in press-fitting semi-conductors automatically into printed circuit boards in electronic hardware such as data processing machines. The Electron division is the company's youngest, still is in the red awaiting Sildisc customers.

Lou Putze says: "Our opportunities overseas are just terrific." The company has finished a plant in France for heating and appliance controls and has started in a small way in Britain. It adds these to its going facilities in Holland, Brazil and Argentina, central offices in Switzerland and a new sales wing in Germany.

Object of this foreign emphasis is to reach a market still far from saturated. The Purdue-educated, Sears, Roebuck-trained Lou Putze estimates there is 90% market saturation for automatic washing machines in the US *v* only 25% in England and 17% in France.

No wonder Lou Putze was unhappy when the Administration suggested taxing unremitted foreign earnings and taking away other tax advantages—such as those offered by Switzerland. Reason: European competitors will keep the advantages and US companies with good or even unique products will lose markets. However that worry has abated somewhat because Congress has shelved such tax charges till next year at the earliest.

TRANSPORTATION

Hertz Finds New Fields at Home, Branches out Abroad

JUST BACK last week from a two week tour of Hertz Corp's European operations, globetrotting chairman Leon Greenebaum quipped to a visitor at his outsized office in New York's Getty Building: "If the air conditioning is too cold for you in here, we'll get you a mink coat from Hertz Rent-All."

A New Yorker born, bred, and public-schooled till he went to Dartmouth, 53-year-old Leon Greenebaum has been in the vehicle leasing business ever since 1927 when he started as a maintenance man with his father's truck leasing firm, Metropolitan Distributors. Metropolitan president Charles Greenebaum died in 1929. After stints as assistant treasurer and vice president, Leon Greenebaum was named president of Metropolitan in 1936. Says he, "in the meantime, I was growing up." In the next 19 years Leon Greenebaum built Metropolitan into what was the largest regional truck leasing firm in the country in 1955 when Hertz bought the company.

After a year as vice chairman and director of Hertz, Leon Greenebaum was made chairman, and he and president Walter Jacobs piloted the company through a five-year period in which operating revenues nearly doubled, from $63,700,000 in 1956 to $125,900,000 in 1960.

The sun-bronzed Hertz chief said last week: "This really gigantic industry has grown up out of usage by a fairly small number of people. The

airlines estimate that only about 18% of the population has ever flown. We think that even less than 18% of the driving population has ever rented a car. We've only scratched the surface."

At the end of 1960 Hertz had more than 500,000 customers on its rolls, but the Rent A Car division considers all 85,000,000 licensed drivers in the US as prospective renters of the cars (currently 30,000) owned by Hertz and its licensees. Hertz has more than 1,700 reservations offices and locations (including licensees). The company offers prospects rental of a car with everything neecssary for operation for an average $10 a day plus 10¢ a mile. Cars can be taken from one location and returned to any other Hertz station in the country (usually for an extra fee). Because Hertz carefully checks references of credit card applicants and requires a $50 cash deposit from others, Leon Greenebaum avers: "Collections do not pose a problem."

Trucks for the Long Term

Hertz also has truck leasing and car leasing divisions which maintain fleets of vehicles for longer term lease to commercial and industrial accounts. In truck leasing single trucks are also rented for short periods. Unlike competitor Avis, Hertz does not lease passenger cars to individuals on a long-term basis, because chairman Greenebaum reasons, "there's not enough profit in it."

Revenues from vehicle renting and leasing are broken down as follows: Rent A Car—48%; truck leasing division—43%; car leasing division—9%. All three vehicle renting divisions have insurance backing from wholly owned subsidiary Atlantic National Insurance.

Fair-haired company subsidiary is Hertz American Express International (51% owned by Hertz, 49% by American Express) which provides car rental service in 45 foreign countries. Chairman Greenebaum diffidently disclaims credit for going international, but admits he championed the cause with other directors. Born in 1957, Hertz Am Ex had 1960 volume of over $8,000,000.

Cosmopolite Greenebaum predicts total international revenue will reach $9-to-10,000,000 this year and $20,000,000 in 1965. He gloats: "We have a real head start in the international field. It began as a foreign service for American tourists but is being used more & more by Europeans. Even in cities where tourist trade is not heavy—Bordeaux, Marseilles, Turin—we are experiencing heavy volume." Rental cars now total 6,000 at 425 overseas locations, including licensees.

One self-drive service acquired by Hertz Am Ex was Daimler-Hire of London which includes chauffeur-driven service. Hertz offers this in only a few locations. Since Hertz Daimlers serve the British royal family when their own garage is inadequate to an occasion, and also caters to visiting dignitaries, Hertz's London clientele lists read like a combined *Debrett's Peerage* and *International Who's Who*. Its only chauffeur service in the US is available at the Hertz Beverly Hills location where it serves the kings,

queens and dolls of Hollywood.

Three young and still relatively small Hertz subsidiaries, all wholly owned, are not in the vehicle field, though all are in renting and leasing. Electronic Coin Processing leases electronic equipment used for sorting, counting, and authenticating coins from parking meters, vending machines and toll stations. Hertz Equipment Leasing owns and leases out some $1,500,000 worth of trailers, typewriters, postage meters, refrigeration equipment and other commercial and industrial equipment. Hertz Rent-All rounds out the line by offering for rent "everything including the kitchen sink." Examples: baby carriages, hospital equipment, TV sets, china, silver and glassware, of antique vintage as well as modern. Rent-All will even supply everything needed to give a Hawaiian Luau.

Turning to the year's results, the board chairman cited the Winter's snowstorms and the soft used car market as first half income deterrents. Despite a 10% growth in first quarter revenues, earnings for the March period were down to 22¢ a share from 35¢. Much lower used car profits ($30,000 *v* $440,000) were a big factor, accounted for all but 4¢ of the drop in earnings.

Weather-increased operating costs extended into the second quarter, but that period's profits were $1,593,000, double the first quarter's—a seasonal pickup is usual—or 46¢ a share *v* the like 1960 quarter's 52¢ from operations plus 12¢ a share profits on the sale of Gray Line stock to Fifth Avenue Coach Lines. Re-

Internationalist Leon Greenebaum

marks Leon Greenebaum: "To stay within 6¢ of last year's second quarter represents a really spectacular job that we make no apology for. Our competitors would be happy to have done as well."

Several pending problems were resolved in 1960. The Government's antitrust action against Hertz was settled by a consent decree. Leon Greenebaum says it does not restrict growth except with respect to acquisition of competition in areas where Hertz already has substantial operations. No limitation was placed on the number of vehicles the corporation may own and operate.

Hertz was affected by the Supreme Court's ruling last year on three tax depreciation cases. The company and other car renters wanted to take speeded-up depreciation on their cars which would have thrown more income into the 25% capital gains

category and out of the 52% regular income category. The decision cost Hertz approximately $2,000,000 in additional taxes for 1959.

To meet the rates of competitors —principally Avis and National Car Rental—Hertz announced in June that discounts to volume commercial users of Rent A Car would rise from 10% to 20%. While such users do not represent a large segment of that division's market, the announcement was undoubtedly a major factor in the decline of the 3,455,000 Hertz shares on the Big Board from this year's high of 68 to its recent 56. But the price is well up from the 36 of two years ago.

Headman Greenebaum reports improvement in used car markets, and with the year's principal problems behind and the economy on the upgrade, he figures Hertz volume for 1961 will reach $140,000,000. If last year's profit margins should be maintained (as chairman Greenebaum thinks they can) in the second half of 1961, earnings will equal and possibly surpass last year's $6,630,000 or $1.92 a share. He sums up Hertz prospects thus: "We feel that volume and earnings for the second half of 1961 will set a new record for any six month period."

MANUFACTURING
Ekco Resounds

ONE TURN through the magazine and newspaper ads reveals the latest gift to kitchen convenience, "greaseless frying." This seemingly impossible trick is accomplished by bonding duPont's tough, high-melting-point plastic resin Teflon to aluminum in frying pans. This month Ekco Products Company of Chicago will become the first domestic producer to introduce such a product—already scrambling on the national stove here thanks to foreign manufacturers. Another 20 domestic manufacturers are scheduled to introduce their own home-made Teflon-coated "greaseless fry pans" in the Fall.

Before its gastronomical debut, self-lubricating Teflon was used mostly in gears and machinery parts, in electrical components and as an insulating material. But new methods of permanently bonding the plastic with aluminum provide frying without grease and cleaning without elbow grease.

For some time Ekco's bakery & chemical division has been supplying commercial and institutional bakers with "no-greasing" glazed bread and roll pans. The new fry pan is the company's first attempt to apply this coating principle to household wares. Besides production of "our own" fry pans, executive vp David L Canmann notes "we are also making them under private label for mail order houses and even preparing the metal for some of our biggest competitors."

The greaseless fry pan is only one of the "100 restyled or new products we introduce every year." Explains executive Canmann: "You don't remain a leader very long without this." In June the company announced it was spending $1,250,000 in tools and dies for the Fall debut of a new basic line of household ware first unveiled four weeks ago at the Summer Housewares Show in Chicago; the

line "incorporates the most extensive changes in over seven years." Some changes: handles built right into the pans and holes so that the pans can be hung on the wall for convenient storage.

Also slated for "initial distribution in ten Western states" this Fall is a complete line of produce-handling equipment which moves fresh produce and meat from delivery truck through processing operations right on to the display racks of grocery stores, meat and supermarkets. This is a direct offshoot of "transportray," the bakery-handling equipment successfully introduced by Ekco two years ago.

In addition to its internally generated "restyled and new products", Ekco's builders & industrial division whose chief products include cabinet and door hardware, steel lockers and shelving (some 30% of Ekco volume) has grown through external acquisition. And in June recreation and sporting goods equipment were added to the division with the acquisition of Pacific Laminates of Costa Mesa, Cal, a small manufacturer of fiberglass arrows and fiberglass sporting goods maker. Among the fiberglass products marketed under the Sil-Flex name are fishing rods, outriggers and ski poles. The division has hopes of adding to this product group fiberglass shafts for golf clubs.

David Canmann stresses the division's interest in "making or acquiring recreation proprietary fiberglass products designed for the real sports enthusiast." He proudly cites the new world pole vault record of 15′ 10¼″ which George Davies of Oklahoma State set a few weeks ago with the benefit of the extra bounce provided by Sila-Flex "Sky-Pole."

While sales of its sports equipment are nominal at present, chairman-president Arthur Keating states: "The sports goods and recreation industry is rapidly growing in the US and we intend to put together four or five companies if we can acquire them."

Acquisitions are nothing new to Ekco. In the last 30 years the Chicago manufacturer has acquired no less than 35 companies in associated fields. Now in its 74th business year the onetime tinsmith has expanded its product line to a "total of 5,000 items, give or take 5%." Of this, approximately 3,000 are non-electric houseware items such as cutlery, kitchen tools, stainless steel cookware, etc. These products are sold nationally through leading variety chains, mail order houses and department stores as well as small retail outlets and account for half of Ekco sales.

Besides its extensive domestic activities the $67,000,000-assets firm has a nice slice of the European market mainly through its 69%-owned Prestige Group Ltd. This British subsidiary makes and sells products similar to those of Ekco's stateside housewares and bakery & chemical divisions. The Midwest manufacturer also has two wholly owned foreign subsidiaries: Ekco SA of Mexico which "finally turned the corner" last year to make "a good profit" and Ekco Products Company (Canada) Ltd. In that country "we will be

Ekco's Keating hears fry pan query

manufacturing * * * rather than just warehousing more & more of the items which in the past have been imported from our American and British factories."

To introduce its products to the market Down Under, Ekco last November purchased a 59% interest in builders' hardware and plastics maker Amalgamated Plastics Pty Ltd of Sydney.

Here at home Ekco-Alcoa Containers has shown impressive increases every year since it was set up in 1956. This 50-50 venture with Aluminum Company of America rolls aluminum foil and makes disposable aluminum foil containers for the food processing industry. Arthur Keating states: "The aluminum foil container industry is constantly reaching into new fields. This industry is genuinely one of increasing growth." Highly profitable Ekco-Alcoa's results are of course not included in Ekco's financial statements except for dividends actually received. Wall Streeters estimate it was about 25¢ a share of Ekco's earnings in 1960.

All told Ekco had a "reasonably good" 1960. While the recession caused "millions of Americans to hold up the buying of 'large ticket items,'" Arthur Keating explains, "mass produced low priced items — and practically everything we make in the housewares line is in this category—did fairly well."

Although short of peak year 1959 when sales rose to $86,400,000 and earnings reached $4.17 a share, Ekco did a healthy $85,200,000 business. A 17% increase in foreign sales was not quite enough to offset the 6% decline in domestic volume caused by lower sales of the construction-dependent builders & industrial division. Higher costs plus competitive conditions which "did not permit price increases to absorb these increased costs" dropped 1960 profits 19% from 1959 to $4,830,000 or $3.42 a share.

In the first half of this year sales were $42,400,000, remaining substantially the same as last year and earnings were $2,120,000 or $1.49 a share, compared with $2,080,000 ($1.45) a year ago. Executive vp David Canmann adds: "Our first half ended strong with increased sales in June compared with the same month last year."

Arthur Keating elaborates: "We were able to achieve satisfactory earnings partially because of economies and cost savings started early

last year—also because I believe we usually run ahead of our industries as a whole." While hesitant "to engage in crystal ball gazing" to foretell full year results, Arthur Keating cagily comments: "Actually I expect 1961 to please us all." More concretely Wall Streeters believe Ekco's 1961 earnings could score a 5-to-10% increase over last year.

At presstime the 1,330,000 EPO (Big Board ticker symbol) shares had moved up to set a new record, trading a little over the 1955-56 high of 47, EPO common has had a steady climb from the 22 low registered in 1958. Dividend payout is generous. Averaging 59% of earnings for the past five years, the present dividend of $2 yields over 4%.

WE HEAR FROM . . .

Alphabet Talk

WATERTOWN, NY

GENTLEMEN:

That was a very interesting story about corporations with those mystifying alphabet names which you ran in your August 2 issue.

Of course, as you did mention in the case of Trak Electronics, sometimes companies have also abandoned their "alphabet soup" designation for a more explanatory name.

Perhaps the outstanding example of this was the F-R Publishing Corp, which got its name in 1924 from Raoul Fleischmann who put up the money and Harold Ross who provided the editorial talent for *The New Yorker*, a magazine which has prospered both editorially and financially. Then in 1947 the company decided to drop the camouflage from the corporate name and it is now known simply as New Yorker Magazine Inc. This is directly opposite to the move of the Fink-Roselieve Company, which as your story pointed out, became the FR Corp in 1944.

Very truly yours,
HANK A PETRIE

OFFICE EQUIPMENT

National Cash Registers

WITH THE growth of foreign economies the National Cash Register Company of Dayton, Ohio finds an increasingly avid market for its standard accounting machines, cash registers and more sophisticated data processing equipment. Interestingly enough last year two-fifths of NC (Big Board ticker symbol) fully consolidated sales of $457,800,000 were in foreign marts which in turn accounted for three-fifths of the profits which National Cash Register reported.

So far this year NC reports both foreign and domestic orders are up about 15% over last year. National Cash president Robert S Oelman states first half sales were $205,700,000, a 15% increase over the first half of last year and earnings were $7,580,000 or 95¢ a share, up 5% from a year ago. In addition unremitted foreign profits were substantially ahead of the same period last year.

For the full year president Oelman notes the company's sales objective is $500,000,000 and so far it is selling at that rate. The NC president adds if the company reaches its sales objective he expects earnings for the year will at least match those of 1960. Wall Streeters are more optimistic. They feel except for a real deterioration in the foreign picture earnings could be in the area of $2.75 a share compared with the $2.52 earned in 1960, while unremitted foreign earnings might well bring the total to $3.50 a share *v* nearly $3 in 1960.

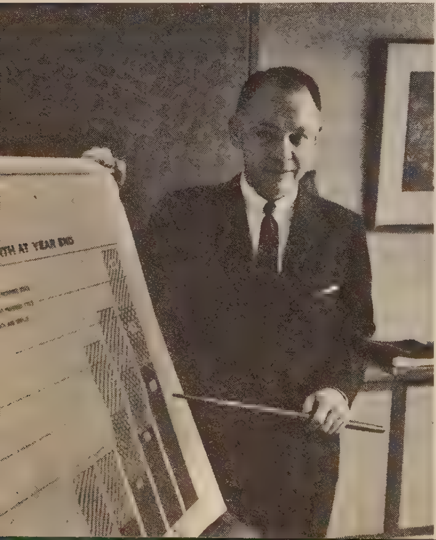
Indian Head Mills & Jim Robison

Lagging Textile Companies Are Happy Hunting Ground For Energetic Chief

RUNNING A BUSINESS is nothing new to president James Everett Robison of Indian Head Mills Inc who at 13 operated a confectionery stand in his hometown Alfred, SD. His clear blue eyes twinkling amusedly, he recalls: "I had seven other kids working for me and when I took my receipts to the bank the teller used to say my deposits were bigger than the jeweler's next door."

A dapper, wiry 45-year-old, five foot-six Jim Robison still manages to outdistance older and more experienced competitors. For 1960 *Fortune's* directory of the 500 largest industrial corporations ranked Indian Head 14th in sales among textile manufacturers but sixth in profit as a percent of sales and No 1 in profit as a percent of invested capital.

Jim Robison points way to worth



The Indian Head chief has achieved this showing in the eight years since the company started as a spin-off from Textron. When Jim Robison went to work for it in 1940 fresh out of Harvard Business School the company was an independent textiler known as Nashua Manufacturing, though Indian Head was its principal tradename. Textron acquired Nashua in 1946. By 1952 the hapless company was contributing one-tenth of Textron's sales and was responsible for about half its overhead.

No wonder Textron president Royal Little decided to sell and venturesome Jim Robison, by this time Textron executive v-p, decided to buy—his problem was how to pay for it. Royal Little's solution: Textron shareholders received one Nashua share for every ten shares of Textron; the new company bought the assets of the onetime division which included a Cordova, Ala mill, the finishing plant in Nashua, NH and the Indian Head brand name for about $5,000,000 payable over five years.

The rechristened Indian Head Mills started life almost cashless and $50,000 a month in hock. But it also had a group of Robison-picked executives, each of whose personal financial success was tied to the percent of profits earned on capital. Jim Robison says his aim at Indian Head has always been "not to build an empire, but to make money for the shareholders." He felt management could do that best if its share

of profits directly reflected its contribution to return on capital.

With this incentive, management boosted profits from only $335 in the eight-month fiscal 1953 to $184,-000 in fiscal 1954, the first full year. Sales that year were $11,400,000.

The following year Indian Head merged with Naumkeag Steam Cotton Company, owners of Pequot Mills. Naumkeag had shown a net loss of over $500,000 in fiscal 1954 on sales of $8,400,000. In the first 41 weeks of joint operation the merged company's sales reached $18,500,000 and net profit reached $1,060,000.

Thus began the series of transactions which has resulted to date in ten acquisitions, mostly of ailing textile companies. Jim Robison believes of the $8.3 billion capital tied up in the textile business there is about $2 billion more equity money than there should be—he aims "to squeeze some of it out." Asked how much capital Indian Head's acquisitions had removed from the industry, Jim Robison did some rapid-fire calculations and announced "about $35,000,000." This represents the difference between the total book value of acquisitions and the price Indian Head paid for them. Jim Robison adds dryly his capital-squeezing drive "still has a ways to go."

Besides helping to reduce invested capital, Jim Robison considers acquisitions the only way to build sales in the textile industry. He does not think it possible to get sales away from competition at a decent profit. In 1956 Indian Head pursued a strenuous program of advertising and promotion, expanded its sales organization and produced increased inventories in anticipation of expanded sales. Sales improved 9% but profits fell 40% to $600,000. The canny president does not even credit that mistake as a lesson learned because, he rails, "it was a lesson I already knew."

Indian Head now broadens sales exclusively by acquiring new markets along with old companies, cutting their costs through consolidation of facilities and "eliminating the losers." Of 27 plants acquired since 1953 ten have been sold, resulting in substantial non-recurring profits in every year since 1957. The acquisitions program has also resulted in loss carry forward credits, so that no Federal income taxes were incurred in the 1955-59 period.

Towards Distillation

Not one of Indian Head's acquisitions has involved payment in common stock since dilution of equity is shunned by Indian Head directors. Nor will common stock be used in future transactions, reports president Robison, "unless it would result in distillation, or concentration of equity, or whatever the opposite of dilution may be."

The result of Jim Robison's buying spree is a corporate structure which consists of eight divisions engaged in production of cotton, wool, silk and synthetic fabrics, bed sheets, fishing nets, cotton and synthetic threads and twines, hand knitting yarns, art needlework and decorative linens, package dyeing of yarns and commission finishing and print-

ing of cloth. Each division operates independently since yearly bonuses of key executives are figured on the basis of profits in their own divisions. With the exception of greige and industrial fabrics all divisions are currently operating profitably including the most recently acquired, William Skinner & Sons, maker of once-famed Skinner satins.

View on Imports

On the textile industry's problems, Jim Robison concedes imports eat into the domestic market but he cites raw cotton support prices as "far more damaging to the industry. They have put into the cost structure of the textile business $4-to-500,000,000 of water every year. The taxpayer pays three times for supports; once to the farmer, second for the goods and third for administration of the program."

Indian Head does not compete with imports at a losing price. Jim Robison maintains there are products such as bed linens, printed fabrics and automotive fabrics which importers cannot supply profitably. Indian Head has pounced on these opportunities. He cites this figuring of the market along with advantageous buying of raw materials, keeping costs of manufacturing down, and effective merchandising as key factors in profitable operation of all but one of Indian Head's divisions.

Sales of all divisions in the first half of 1961 totaled $43,300,000, 40% above the $30,700,000 in 1960's first half. Operating profits were down somewhat from last year but nonrecurring profits brought the total to $1,350,000 or $2.36 a share for the half *v* $2.07 last year. The second half is traditionally better than the first and is expected to be this year, but president Robison declines to predict earnings. However, he does forecast total sales of about $100,000,000 for the year. Last year earnings reached a record $3,600,000 or $5.48 a share (adjusted for a two-for-one split in 1959, 10% stock dividend the same year and 5% in 1960) on sales of $82,000,000. Jim Robison says the board will consider a stock dividend at the end of this year, but he adds: "I don't know why stockholders like them so much. They are just more pieces of paper to represent what you already own."

The youthful president is more interested in increasing the value of the pieces of paper than their number. One means to that end is the use of leverage—borrowing money at rates lower than the return the company can earn on it. Right now Indian Head has $5,500,000 of long-term debt and issues of 167,000 shares of $1.25 preferred and 165,000 of $1.50 preferred, both $20 par, ahead of its common. At par value the preferred comes to a little under $7,000,000.

Jim Robison's concern for stockholders is not purely academic; he owns 19% of the 572,000 shares outstanding. Management and directors together own beneficially 35% of the common. Indian Head plans to continue its program of acquisition, has a number of deals under consideration now. Jim Robison's prediction: "We expect to keep making money and have fun doing it."

Spencer Chemical Broadens its Spectrum

Kansas City Concern Moves Toward Consumer And More Raw Materials

BORN the day after Pearl Harbor, Spencer Chemical Company of Kansas City, Mo will be 20 years old this December. Its growth during these two decades has enabled it to perform the remarkable feat of absorbing by merger the company responsible for its birth, the $23,000,000-assets Pittsburg & Midway Coal Mining Company.

That event took place a little over a year ago. Spencer exchanged 529,000 shares of its stock for Pittsburg & Midway, bringing its total capitalization to 2,700,000 common shares topped by 126,000 shares of $4.20 preferred and $22,500,000 debt. The merger fattened Spencer into a $75,000,000-sales, $105,000,000-assets company and gave it footing in an industry which has perked up considerably since its worst days a few years ago.

Spencer now operates in three major fields. First come nitrogen chemicals which account for most of Spencer's business in both agricultural and industrial chemicals (36% and 14% of total Spencer volume respectively). Next biggest field (28%) is plastics entered in 1955; emphasis here is on polyethylene. Finally comes coal which now comprises 22% of Spencer sales.

It was the late Kenneth A Spencer, then vice president of the coal company, together with chief engineer C Y Thomas (now Spencer Chemical chairman) who in 1940 urged the Government to build an anhydrous ammonia and ammonium nitrate plant in Kansas using natural gas as raw material (IR, March 28, 1951). After the War the company first leased, later bought the plant. Meantime it adopted the name Spencer Chemical Company—in honor of founder Spencer's father Charles F who was president of the coal company. Spencer went public in 1950, now has over 4,000 stockholders.

Spencer Chemical came to a critical period in February 1960 when founder-chairman Kenneth Spencer died unexpectedly at age 58. In the normal course of business a few months earlier Kenneth Spencer had decided to pass the presidential reins on to a younger man while continuing himself as chairman. The choice was the then 41-year-old John C Denton. Says he: "After Mr Spencer's death we decided we would have to hesitate briefly and examine our objectives."

Jack Denton continues: "We realized we were in sort of a mid position, with no anchor in raw materials or in distribution of materials. We felt we had a need to pursue both."

The first big move was the coal company acquisition which provided a raw materials anchor and incidentally accomplished some financial simplification since a good deal of the stock ownership of the two companies was overlapping.

The coal company is moving its offices to Kansas City from Pittsburg, Kan (115 miles due south of Kansas City); it operates eight mines in

Spencer boils up new formula

Western Kentucky, Missouri, Kansas, Colorado, Arkansas and New Mexico. It sells over four-fifths of its production to electric utilities and industrial power generators with three-fourths of it on a long-term basis. The company in 1962 will open a brand new mine near Gallup, NM which will supply the Holbrook, Ariz generation facilities of Arizona Public Service Company on a long-term basis.

As this move into a raw materials field was being absorbed, an important economic jolt hit Spencer Chemical. Prices dropped some 15% in polyethylene due to the industry's overcapacity. Says senior vp John Miller: "Because of these cuts we saw earnings of $1.50-to-1.60 a share maximum" for the June 1961 year against $2.27 a share if nothing was done about it. Something was.

John Miller narrates the Spencer comeback: "Our program had its first emphasis on getting a maximum return for our existing investment * * * This took the form of budgets rather rigidly adhered to." Best results, he says, came in cutting costs and increasing sales of nitrogen agricultural chemicals. Moreover some ground was made up by selling about 20% more polyethylene though profits were lower. Results: figures for the fiscal year showed sales of $79,054,000, up nearly 7%, and earnings of $2.31, up 4¢. For the new fiscal year, says John Miller: "We expect results comparable to the three previous years."

Having steered through the fiscal 1961 storm, Spencer Chemical is again concentrating on the two anchors urged by president Denton—raw materials and greater proximity to the consumer—and is working to broaden its product line in its present fields. The company's research department occupies a brand new center in Merriam, Kan not far from Kansas City.

Research has given the company two of its recently introduced products. One is Carbyne, which attacks wild oats, a dangerous pest invading spring wheat fields in the Dakotas and surrounding regions. Widespread proof of Carbyne's efficacy however awaits clearing up of the drought (IR, July 19) which Spencer explains is even rougher on the wild oats than on the wheat.

Another product is 30-10-0 fertilizer (30% nitrogen, 10% phosphorus and no potash), a blend which Spencer expects will titillate hungry seedlings across the nation. It is being sold under the name of Mr Greeen.

In the plastics field, Spencer research has come up with an entry into a new line, polyethylene latexes. These are fluids—emulsions, to be exact—containing polyethylene. They can be used in waxes, polishes, textile coatings, paper & packaging. Spencer's name for the new series is Poly-Em. They will be in production in early 1962 at a $1,300,000 addition to Spencer's Calumet City, Ill works, which also turns out formaldehyde and derivatives.

Thermofusion

Most of Spencer's plastics work is done at Orange, Texas. A new item, thanks to a license from Dutch company Vaessen-Schoemaker, is a molding process called thermofusion which permits the production of large, single-piece plastic articles by heating powdered polyethylene. Examples: 12-foot boats and 150-gallon drums. Spencer has licensed this to selected processors. Also thanks to arrangements with another company —in this case Jersey Standard's Enjay Chemical—Spencer is marketing, but not making, polypropylene.

Two recent acquisitions have edged Spencer closer to consumers. They are Crystal Tube of Chicago and Flexicraft Industries Inc of New York. Both design, print and make bags from purchased polyethylene and cellophane films. From the new companies Jack Denton says Spencer will acquire first hand knowledge of the packaging industry. Helping Spencer into the adhesives industry is another recent acquisition, Perkins Glue Company of Lansdale, Pa.

In the past fiscal year capital expenditures by Spencer were not heavy ($4,800,000), the principal project being the Gallup, N M coal mine. They also included a number of projects to improve production and marketing efficiency. For fiscal 1962 however, projects totaling $11,750,000 have been approved with a "flopover" of $3,750,000 already authorized for 1963. These projects include the polyethylene emulsions plant and other plant expansions.

Spencer tackles these plans with the help of a young management team. The company's top twelve executives have an average age of about 48. Despite his own comparative youth, Jack Denton has been with the company since its beginnings in 1941 except for a Navy stint.

A petroleum engineering graduate of Tulsa University, he got his job with Spencer "by accident." He was driving some colleagues to work with Gulf Oil in Tulsa, his first employer, when they asked him to stop off while they spoke to a recruiter for a new chemical company. To kill time, he went in with them "and wound up signing the piece of paper he put in front of me."

His first job was as foreman in the nitric acid section ("like an ensign —and I was one—the lowest form of animal life"), followed by a quick switch to foreman in the ammonia plant. From then on it was plant supervision, engineering and finally the reins of the entire business. He likes golf, hunting and fishing when there is time. At home he is a do-it-yourselfer. He goes in for woodworking and "inflicts oddities of furniture on my wife."

Goodyear Lives Up To Its Name

Rubbermaker Lifts Midyear Profits on Volume Decline; Charts Record Expansion

HALF YEAR figures indicate 1961 will add up to a very respectable year for the Goodyear Tire & Rubber Company. Its midyear report released last week shows the globe-spanning rubber giant turned the neat trick of raising earnings though volume declined. Moreover, pleased chairman Edwin Joel Thomas remarks: Goodyear's percentage of net to sales for the period was "as good as we've ever had." He adds: "From reports I've seen this may be a bit counter to the industry."

Actual figures show consolidated sales of $726,000,000, an 11% decrease from a year ago reflecting the recessionary "lesser amount of business available." But profits rose 2% to $38,500,000 or $1.13 a share compared to $1.11 for the first half of 1960 despite a "rough" first quarter this year when net was off 10%. This is a profit margin of 5.3%, impressively above both last year's 4.6% and the company's postwar record of 4.8% scored in 1958 & 1959.

When asked how he explains the higher profit margins chairman Thomas responds snappily: "We've spent money on modernization and we're now getting the effect. People in the company have done good work in holding costs down and helping us to get our money's worth"

COVER: Four of Goodyear's five policymakers, r to l: chm Thomas, pres DeYoung, exec vp's Hyde, Holt.

Goodyear executive vice president Howard Hyde has a slightly different version: "We've had some intense cost reduction drives around here." As examples he cites a continuing program to improve efficiency in factories (Goodyear completed installation of new automatic tire building equipment in all its domestic plants this year); cutting down on telephone and travel expenses; not adding personnel; more effective scheduling and use of materials.

However "intense" its economies, likelihood that Goodyear's earnings picture will continue bright for the rest of the year seems "a fair deduction" to its cautious chairman. While he declines to forecast year-end results because of "the many imponderables involved," he specifically predicts:

- For the next six months, renewal auto tire sales will exceed 34,000,000, at least 2,000,000 more than the last half of 1960. However he sees no "early opportunity" for replacement tire price increases though present prices "do not properly reflect increased labor costs effective in June."
- Sales of non-tire products will also improve partly because much of this market also depends on auto production; good business is expected for the new models slated for introduction late this month assuming peaceful auto labor negotiations.
- All Goodyear foreign plants are in full production now and should remain at capacity through the year.
- Next year should be a good one for both renewal and original equip-

ment tires if auto production estimates of 6,200,000 units *v* 1961's approximately 5,500,000 come true.

Leader in its industry since 1916, Goodyear is the 23rd largest US corporation. Total assets last year passed the $1 billion mark. Its sales of $1.6 billion, almost double 1950, topped No 2 tiremaker Firestone's by $340,000,000.

Stock Progress

During the same period Goodyear stock has rolled impressively upward. To show the picture, prices must be adjusted for splits of 3-for-1 in 1959, 2-for-1 in 1954 and 1951 and for stock dividends of 5% in 1952, 3% in 1953 and 2% in 1956-1960. After this arithmetic Goodyear stock shows a rise from 3 in 1950 to a high of 50 in 1959. Titled "GT" on the Big Board, Goodyear's 34,000,000 shares currently sell around 44, their high for this year. Dividends too have moved up every year of the decade although payout the past five years has still averaged a conservative 39% of net. The current quarterly rate of 22½¢ was established in January, 1960.

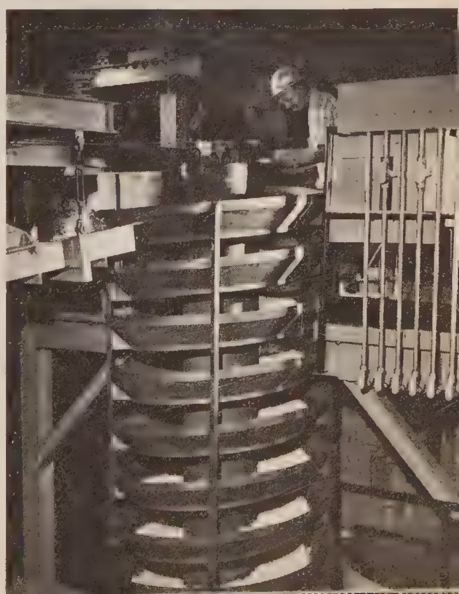
About 60% of Goodyear sales comes from tires and from this somewhat less than half is original equipment. Its largest position is at Chrysler where it supplies nearly all original equipment but it does business with "all major auto & truck manufacturers." This year Goodyear got its first order in many years for domestic equipment from General Motors.

Goodyear's biggest and most profitable tire business is the replacement market and here even Firestone admits Goodyear is market leader.

Historically Goodyear has been active in non-tire circles since 1913 when it got into industrial rubber items and today it operates seven separate non-tire divisions. In order of volume they are industrial products including belting; chemicals, synthetic rubbers and plastics (Goodyear is 12th largest US chemicals fabricator counting synthetic rubber); aviation products including tires; foam rubber, film and flooring; metal products, chiefly tire rims, and shoe products under the tradename "Neolite." Including a small amount in tires about 10% of Goodyear's total sales are to the Government, a percentage Eddie Thomas guesses "will remain about the same." Its most publicized Defense project is the Navy's antisubmarine missile SUBROC for which Goodyear Aircraft is prime contractor.

Goodyear International, compris-

Crumb rubber on spiral conveyor



ing 32 companies and licensees outside North America, and Goodyear of Canada carry on the company's work outside US boundaries. Altogether Goodyear has 25 domestic plants, 22 plants and six rubber plantations in 24 foreign lands and about 90,000 employes.

Vigor at the Top

The man at the top of this sprawling organization is a vigorous, good-humored gentleman who has been a Goodyear employe for all but 17 of his 62 years. The son of an Akron postman, Eddie Thomas was born a few blocks from Goodyear's red brick headquarters and recalls: "When the time came to go to work there wasn't any question about going up to Goodyear." He started in 1916 as a lab clerk when just out of high school.

Then one day two years later "for no particular reason I know of, I was called upstairs and asked by president P W Litchfield's secretary if I would like to work up there. I first said no because I liked where I was—we had a good group in the lab. But later I reconsidered provided I could go back to the lab if I didn't like it. Soon there was no question that I wanted to stay."

He continues: "No one said anything to me about why I was there. I just went to work and tried to make myself useful doing clerical work. 'PW' wasn't the sort of man to tell you what he had in mind for you. Nowadays we spend more time on that subject with our employes."

Following this auspicious start Eddie Thomas got training as personnel manager, head of a California plant and managing director of Goodyear's British operation. Then it was back upstairs to Akron as an assistant to president Litchfield in 1936 and executive vice president in 1937. Three years later he was elected president. In 1956 he became chief executive officer, a position he still holds, and in 1958 he was elected chairman. P W Litchfield died in 1959.

On the same floor in Akron where Eddie Thomas got his start a fellow executive observes: "EJ makes decisions when the others can't agree but by & large major questions are handled by a five-man policy committee." Second in command is president Russell DeYoung, 52, who first "swept floors" for Goodyear when an Akron University student. Another protege of "PW", he came up fast as head of Goodyear Aircraft during its rapid War II expansion, succeeded EJ Thomas as president in 1958. President DeYoung volunteers his particular bailiwicks are "product quality and customer service."

Behind this duo on the policy committee are the two executive vice presidents, Howard L Hyde, 60, who handles legal and financial matters and Victor Holt Jr, 53, Goodyear's boss of sales. Fifth member is chief of production Sam DuPree, 51.

About Goodyear's management organization Eddie Thomas summarizes: "The top 140 men on our organization chart have an average age under 50 and average service with Goodyear of over 25 years. It's an agile and energetic group."

Probably their greatest agility shows up in a measure chairman Thomas himself emphasizes—care-

ful spending. From 1956 when E J Thomas became president through 1960 Goodyear has spent over $350,000,000 building up its facilities. And chairman Thomas recently announced capital expenditures for 1961 and 1962 will total another $180,000,000, making this Goodyear's heaviest two-year spending period to date.

Largest proportion of these funds in relation to sales has gone "and likely will continue to go" to Goodyear International, already an impressive performer and "probably our best growth prospect." Headed by president Frank T Magennis, 64, who is backed up by E J's son, Richard J Thomas, 36, International contributes in excess of one quarter of current sales and over one-third of earnings. Notes the younger Thomas: "Our target right now is to double business by 1970." Among his recent projects are a $12,000,000 plant scheduled to make its first tire this week near New Delhi, India (see picture) and a new $13,000,000 Goodyear subsidiary authorized last month to build tires in Turkey.

Goodyear's most significant recent expenditure at home is a $20,000,000 synthetic rubber plant nearing completion at Beaumont, Texas. Last Spring when the plant was already under construction Goodyear announced a new process for making isoprene, ingredient of Goodyear's natural rubber replacement, Natsyn. This process "will make Natsyn competitive with natural rubber at 25¢ or any lesser price that natural might sell for," says E J Thomas, "and we have no doubts Natsyn will do every-

Construction by hand in India

thing that natural rubber will do."

Nearly three-fourths of the rubber used in the US today is synthetic and Goodyear is its largest producer. Chairman Thomas points out the importance of rubbers like Natsyn (Firestone, Phillips Petroleum and Shell have similar synthetics) in making the industry less subject to widely fluctuating natural rubber prices and in making the US independent of foreign crude rubber sources if necessary.

A respected industry spokeman, Eddie Thomas forecasts major growth ahead for rubber consumption and rubbermakers around the world. How well its largest manufacturer does "depends on how well we play the game." When pinned down on a growth projection for Goodyear he replies: "We think $2 billion in sales would be a nice round figure to hit. As things are going that will come in due time; not in two or three years, but in five years—maybe."

CHARLES OF THE RITZ DOMAIN

This sea siren tans with the aid of Sun Bronze put out by New York's Charles of the Ritz Inc. The lotion goes for $2-to-3.50, contains the company's famed moisturizing ingredient Revenescence which sold alone boasts a luxurious $3.50-to-45 tag.

All told Charles of the Ritz manufactures over 70 basic items under its own and Alexandra de Markoff names. These cosmetics are sold through more than 1,000 department and specialty stores. Biggest sellers are Revenescence cream and lotion along with face powder custom blended at Charles of the Ritz counters to suit madame's individual needs.

The company's retail setup is unique. Its salesgirls (in big stores they handle only Charles of the Ritz) are either trained at the company's fancy 58th Street headquarters or by a Charles of the Ritz traveling representative. President Richard Salomon notes his company "contributes part of the girl's salary which is sometimes enough to be her sole support."

Last year toiletry goods yielded just under two-fifths of volume, brought in a whopping 73% of the company profits. In turn the company's 21 domestic beauty salons and one Paris parlor in 1960 contributed over a tenth of sales, 7% of earnings.

While cosmetics and adjuncts are by far the most profitable part of the company's business, nearly half of its sales come from the November, 1959 acquisition of Venus Pen & Pencil Corp. Charles of the Ritz purchased Venus for $7,500,000, mostly borrowed from banks and an insurance company. Dick Salomon explains: "We wanted to branch out with a branded consumer product. We plan no further diversification but are looking at acquisitions in both the writing and cosmetic fields."

To streamline Venus, "we cut out nearly one-third of their low profit products." However the inventory writedown has dropped Venus net from a near record $583,000 in 1958 to $287,000 last year while volume climbed steadily to $13,500,000. Admits president Salomon: "We are really taking a bath now but by 1962 we will have a revamped Venus."

Including Venus, Charles of the Ritz sales last year climbed 108% to $28,000,000 while profits rose to $1,400,000 or $1.42 a share from 93¢. Ten years ago Charles of the Ritz did a $7,500,000 business and earned 31¢ a share. The company has shown a profit each year since 1936.

Investor's Reader Staff

Fred Weymuller, *Editor of Issue*

Marguerite Beer, Anne Gregory, Barbara Buehrig, Jane Keen, Betsey Casey, Maryjane Tanahey, Norma Walter

Production

Carol Trick, *Artist*

Joyce De Mauro

Annette Miller

Henry R Hecht, *Managing Editor*

LA RUE APPLEGATE, *Editor*

Contributors

Meredith Jones Jr, *Toledo*

Robert Mason, *Chicago*

John Melick Jr, *Toledo*

Robert Tebeau, *New York*

Arthur Warde, *New York*

Nancy Yeiser, *New York*

When you move, please send both old address (as imprinted on back cover) and new one directly to Western Printing Company, Poughkeepsie, NY

Deeply tanned, 49-year-old Dick Salomon likes to reminisce about the company's beginnings. "After War I Charles Jundt, an Alsatian hairdresser, got the old Ritz Carlton Hotel lease" for the hair salon. "In 1922 Nestlé of France (now Nestle-Le Mur) invented the first permanent wave machine and Charles got the exclusive North American license for three years." His permanent price: $20 a curl or $200 a head. By 1925 "he had opened 22 salons from Boston to Bermuda." The cosmetics line added in 1926 "met a need generated by the success of the salons."

A decade later Charles Jundt, who died in the late Forties, sold the business to the late Benjamin Levy, chairman of Coty Inc and Dick Salomon's uncle. Dick himself joined the company as a salesman in 1932 after graduating from Brown. He became head of the cosmetic division four years later and president when he returned from War II service.

Well known to beauty devotees, Charles of the Ritz is new to investors. The company went public in April when 215,000 shares were sold at $25 each. Dick Salomon owns all the 785,000 Class B shares. Bolstered by the new issue craze the stock almost immediately soared to over 40, has since settled back to 30. The company's $4,000,000 bank loan, the last instalment due in 1965, prohibits cash dividends without the banks' consent. But president Salomon has "tentative plans for a stock dividend."

Dick Salomon says of earnings: "Preliminary indications show an improvement in our second quarter over the first and over the same period a year ago." In the first 1961 quarter the company's sales were practically unchanged while earnings fell 16% to 25¢ a share. However " the gap is closing. The last half of 1960 will be easier to beat than the first when profits were well beyond our expectations."

In addition by October "all our stores will be stocked with Revenescence After Shave Treatment," the company's first product for men. Also "this Fall we will introduce new shades" of rouge, eyeshadow and foundation makeup termed Spotlight colors. Dick Salomon adds "we're never taken all the business we could; we have a waiting list of several hundred stores."

As for the future "aside from Venus one of our greatest potential profit horizons is foreign business." Competitors such as "Arden and Rubinstein do as much abroad as in the US. Last year our foreign cosmetic profits came to only $50,000. That leaves a lot of room for an increase."

GOOD AS GOLD...

By common consent, one of the loveliest lines in literature is Euripides' evocative

"The apple tree, the singing,
and the gold . . ."

Somehow it seems to suggest all that is most desirable in life: the beauty of nature, the splendor of art, and the means of living as one pleases.

Even 2,400 years ago, old Euripides recognized the fact that the apple tree in your own back yard and the art museum in your native city might not be quite enough. After all, you might want to look at an apple tree a thousand miles away, or buy a fine painting to hang on your own wall. And for those things—as for many others—you would need gold or its equivalent. To put it another way, the best things in life may be free, but being in a position to enjoy them to the fullest is likely to cost money.

Unfortunately, giving money away is not our business. But helping people invest their money to make money *is*. If you have any questions about investing, just write to us and we'll give you the best answers we can.

But send no gold for such help. Save that for the apple tree and the singing.

Accepted as controlled
circulation publication at
POUGHKEEPSIE, N. Y.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Please send address changes to
Western Printing Co., Poughkeepsie, N. Y.